

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00  
DODE-00 DOTE-00 INR-07 NSAE-00 EPG-02 FAA-00 L-03  
SS-15 NSC-05 TRSE-00 /057 W  
-----091053Z 130055 /14

R 090601Z JUN 77

FM AMEMBASSY PRAGUE  
TO SECSTATE WASHDC 2894

UNCLAS PRAGUE 1572

E. O. 11652: N/A

TAGS: EFIN, EAIR, CZ

SUBJ: GOC SEEKS TO TAX LOCAL PAN AMERICAN REPRESENTATIVE

REF: PRAGUE 23

1. LOCAL PANAM REP COLLINS HAY HAS GIVEN EMBASSY COPY OF LETTER DATED MAY 20 FROM DISTRICT FINANCIAL ADMINISTRATION PRAGUE 1, WHICH HE RECEIVED MAY 27 WITHOUT PRIOR NOTICE AND WHICH APPEARS TO MAKE HIM LIABLE FOR CZECHOSLOVAK INCOME TAX FOR FIRST TIME. ACCORDING TO UNOFFICIAL TRANSLATION, LETTER STATES THAT "PERSONS TEMPORARILY RESIDING" IN CSSR MUST PAY 20 PERCENT OF THEIR SALARY AS TAX, ALTHOUGH 15 PERCENT OF "THE SALARY RECEIVED FOR WORK EXECUTED AS A COMMERCIAL REPRESENTATIVE IS FREE OF TAX." EVIDENTIALLY, TAX IS PAYABLE ON EARNINGS AFTER JANUARY 1, ALTHOUGH ATTACHMENT TO LETTER DATED MARCH 22 SAYS RELEVANT TAX DECREE IS "EFFECTIVE APRIL 1." LETTER FURTHER INDICATES THAT FIRST PAYMENT WAS DUE JUNE 3. EMBASSY WILL POUCH COPY OF TRANSLATION.

2. LETTER, WHICH APPARENTLY WAS SENT TO ALL LOCAL REPS OF WESTERN AIRLINES, HAS PROVOKED SOME ANGER AND CONFUSION AMONG RECIPIENTS. HAY AND COLLEAGUES HAVE REQUESTED LEGAL OPINION ON IT FROM LOCAL LAWYER, BUT TO OUR KNOWLEDGE, HAVE PAID NO TAX DESPITE JUNE 3 DEADLINE.

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3. HAY HAS REQUESTED EMBASSY ASSISTANCE AND ASKED US TO ASCERTAIN WHETHER CSA OFFICIALS IN U.S. PAY INCOME TAX TO U.S. AUTHORITIES. AMBASSADOR REQUESTED CLARIFICATION ON THIS MATTER DURING JUNE 7 INTRODUCTORY CALL ON FINANCE MINISTER LER (SEPTTEL). LER SEEMED UNFAMILIAR WITH LETTER AND SAID MINFIN OFFICIAL

WOULD DISCUSS IT SOON WITH EMBOFF.

4. COMMENT: WE PRESUME THAT LETTER IS RELATED TO OPENING OF REPRESENTATIVE OFFICES OF WESTERN FIRMS (REFTEL), WHICH WILL BE REQUIRED TO PAY TAX BASED ON FORMULA NEGOTIATED WITH MINFIN. SINCE U.S. HAS NO DOUBLE TAXATION OR OTHER RELEVANT AGREEMENT WITH GOC, IT SEEMS LIKELY THAT HAY OR PANAM COULD BE LIABLE FOR SUBSTANTIAL TAX PAYMENT TO GOC. GIVEN PANAM'S PAST ECONOMIC DIFFICULTIES HERE, SUCH A NEW PAYMENT MIGHT CAUSE AIRLINE TO RECONSIDER ITS PRESENCE IN CZECHOSLOVAKIA. EMBASSY WILL REPORT FURTHER DEVELOPMENTS.

5. ACTION REQUESTED: PLEASE ADVISE WHETHER CSA PERSONNEL IN U.S. PAY U.S. TAXES AND PROVIDE ANY OTHER COMMENTS DEPARTMENT CONSIDERS RELEVANT.  
BYRNE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** REPORTS, CIVIL AVIATION, PERSONNEL, TAXES  
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**Copy:** SINGLE  
**Sent Date:** 09-Jun-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
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**Disposition Case Number:** n/a  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Reference:** 77 PRAGUE 23  
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**Subject:** GOC SEEKS TO TAX LOCAL PAN AMERICAN REPRESENTATIVE  
**TAGS:** EFIN, EAIR, CZ, US, PANAM  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
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